

Supplemental Information

Analysis of Recreation Revenues, Costs and Impact to the General Fund

Current and Future Grants

Discretionary Reserves

General Fund Five-Year Projections

General Fund Discretionary Revenues

Use of GF Discretionary Resources

Police Staffing History

Public Employee Retirement System (PERS) Rates

Carbon Footprint

Relationship with other Agencies

Sustainable Budget Strategy



CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Recreation Department Exp | 2,896,229 | 4,891,330 | 4,609,551 | 5,381,169 |
| Recreation Net Impact | (1,065,414) | (1,435,961) | (1,535,284) | (1,378,076) |
| Cost Recovery | | | | |
| Administration & City Programs | 5% | 18% | 14% | 10% |
| Community & Cultural Center | 64% | 63% | 57% | 59% |
| Aquatics Center | 74% | 86% | 67% | 74% |
| Centennial Recreation Center | 0% | 67% | 77% | 96% |
| Outdoor Sports Center | N/A | N/A | N/A | 49% |
| Recreation Department | 63% | 71% | 67% | 74% |

Current and Future Grants

The following is a list of grant revenues that the City projects to receive by the current fiscal year end and those expected to be received during the 2007/08 budget year.

| Description | 2006/07 Projected | 2007/08 Proposed | Fund |
|--|----------------------|---------------------|----------------------------|
| OTS Sobriety Checkpoint Grant | \$ 2,762 | \$ 2,000 | 010 General Fund |
| RATTF Grant | 64,927 | 66,552 | 010 General Fund |
| Cops Universal Hiring Grant | 29,519 | 52,097 | 010 General Fund |
| Bullet Proof Vests Grant | 1,552 | - | 010 General Fund |
| Proposition 42 Traffic Congestion Relief | 105,736 | - | 202 Streets |
| Coyote Creek Trail | 73,000 | - | 202 Streets |
| STP Grant | 399,000 | - | 202 Streets |
| Wildlife Trail Grant | 368,939 | - | 202 Streets |
| Depot Street Reconstruction | 2,367,583 | - | 202 Streets |
| TDA Article 3 Trail Study | 26,627 | - | 202 Streets |
| Liveable Communities | 144,000 | - | 202 Streets |
| STP Grant | - | 2,650,000 | 308 Streets CIP |
| SCVWD Grant | - | 80,000 | 308 Streets CIP |
| TDA Article 3 Trail Study | - | 14,046 | 308 Streets CIP |
| Liveable Communities | - | 1,556,000 | 308 Streets CIP |
| VTA Bicycle Expenditure Plan | - | 543,000 | 308 Streets CIP |
| Proposition 1B Grant | - | 295,000 | 308 Streets CIP |
| Supplemental Law Enforcement | 100,000 | 100,000 | 205 Supplemental Law |
| CDBG-HCD Allocation | 436,707 | 358,162 | 215 CDBG |
| SCVWD Storm Water Quality Grant | 16,000 | 16,000 | 232 Environmental Programs |
| Recycling Grant | 9,773 | 9,775 | 232 Environmental Programs |
| Solid Waste Management AB 939 | 56,000 | 57,000 | 232 Environmental Programs |
| TDA Article 3 Trail Study | 10,000 | - | 302 Park Maintenance |
| STP Grant (VTP 2030) | - | 90,000 | 309 Traffic Impact |
| SCVWD Storm Water Quality Grant | - | 15,000 | 650 Water Operations |
| Total Grants | \$ 4,212,125 | \$ 5,904,632 | |

CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET •

The schedule below summarized all discretionary funds projected to be available at June 30, 2008. While a large portion of these funds have been placed into separate funds for designated purposes, these monies are available as discretionary funds.

| Fund | FY 2005/06 | FY 2006/07 | FY 2007/08 |
|-------------------------------------|----------------------|----------------------|----------------------|
| General Fund | \$ 10,153,598 | \$ 9,764,639 | \$ 10,123,881 |
| Supplemental Law Enforcement Fund | 165,637 | 94,995 | 22,099 |
| Community Centers Startup Fund | 237,730 | 156,581 | 166,893 |
| Employee Assistance Fund* | 75,929 | 35,777 | 11,029 |
| Park Maintenance Fund | 3,793,553 | 4,209,484 | 4,328,332 |
| Information Systems Fund* | 268,752 | 138,546 | 183,035 |
| Building Maintenance Fund* | 1,290,987 | - | 63,580 |
| Building Replacement Fund* | - | 1,714,960 | 1,955,614 |
| Unemployment Insurance Fund* | 81,665 | 116,413 | 86,173 |
| Workers' Compensation Fund* | 760,253 | 1,097,540 | 1,326,671 |
| Equipment Replacement Fund* | 3,278,976 | 3,159,918 | 3,319,889 |
| General Liability Insurance Fund* | 902,997 | 925,728 | 982,864 |
| Total Discretionary Reserves | \$ 18,465,080 | \$ 19,703,740 | \$ 22,570,060 |

*Total amounts in these funds are accumulated through contributions from various funds, including the General Fund. Only those amounts from the General Fund would be available to be transferred back to the general fund. The remaining balances would be credited back to the fund that made the contribution.

General Fund Five-Year Projections

GENERAL FUND BALANCE PROJECTIONS

5/8/2007

2004/05 through 2011/12

This schedule shows that total Fund Balance for the General Fund is projected to increase from \$10.8 million at 7/1/04 to \$11.6 million at 6/30/12. This includes the effect of sales tax revenue from the proposed DiNapoli shopping center and a net \$700,000 per year in additional property taxes, beginning in 2007/08, associated with the planned Redevelopment Agency extension. The projections generally assume, after 2006/07, a 3% increase in revenues and in expenditures. However, property taxes are projected to increase an average of 5% after that. Sales taxes are projected to increase by 3% per year and by additional amounts, beginning in 2007/08, in connection with the DiNapoli shopping center (see footnote (9)). This schedule accounts for the increase in property tax revenue equal to the significant annual ongoing vehicle in-lieu loss beginning in 2004/05, and includes the State's shift of \$343,000 per year in property taxes away from Morgan Hill for two years (2004/05 and 2005/06). Projections include Fire Inspection fees that were implemented in 2005/06. The projections do not factor in any new employee positions postions after 2006/07 except for two additional police officers, as of 10/1/07 and 7/1/09, in connection with the opening of the DiNapoli retail center. In addition, for planning purposes, two police officers & one half-time records clerk have been added for blight elimination, financed with transfers in from the Redevelopment Agency, as of July 2007, for a 3 year assignment ending June 2010. Potential future costs for operating a new fire station, City Hall expansion, and expanded parks maintenance are **not** included in costs. However, projected revenues & costs for operating the Outdoor Sports Center have been added beginning in 2007/08.

| | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <i>Beginning Balance</i> | 10,790,803 | 9,846,975 | 10,153,598 | 9,764,639 | 10,335,881 | 10,973,821 | 11,366,006 | 11,534,202 |
| Revenues & Trnfrs In | 18,338,742 | 20,411,896 | 22,579,434 | 25,469,237 | 26,652,289 | 27,675,263 | 28,502,560 | 29,557,560 |
| Exps/Trnsfers Out | (19,282,569) | (20,105,273) | (22,968,393) | (24,897,995) | (26,014,348) | (27,283,079) | (28,334,363) | (29,509,940) |
| <i>Ending Balance</i> | 9,846,975 | 10,153,598 | 9,764,639 | 10,335,881 | 10,973,821 | 11,366,006 | 11,534,202 | 11,581,823 |
| Less:Designations (3) | 4,486,656 | 4,974,288 | 5,505,587 | 6,136,912 | 6,455,189 | 6,713,189 | 6,996,263 | 7,258,959 |
| Undesg Fd Balance | 5,360,320 | 5,179,310 | 4,259,052 | 4,198,969 | 4,518,632 | 4,652,817 | 4,537,940 | 4,322,864 |

| | | | | | | | | |
|--------------------------|------------------|----------------|------------------|----------------|----------------|----------------|----------------|---------------|
| Operating margin: | (943,828) | 306,623 | (388,959) | 571,242 | 637,940 | 392,185 | 168,197 | 47,621 |
|--------------------------|------------------|----------------|------------------|----------------|----------------|----------------|----------------|---------------|

General Fund Projections (continued)

GENERAL FUND BALANCE PROJECTIONS 2004/05 through 2011/12

5/8/2007

| REVENUE DETAIL | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Property Tax (1) | 2,522,105 | 2,920,435 | 3,010,000 | 3,976,892 | 4,160,227 | 4,352,013 | 4,552,641 | 4,762,518 |
| VLF In-Lieu Property Tax | 1,888,943 | 2,331,517 | 2,441,163 | 2,563,221 | 2,691,382 | 2,825,951 | 2,967,249 | 3,115,611 |
| RDA Pass-Thru | 318,966 | 325,598 | 368,621 | 251,066 | 263,619 | 276,800 | 290,640 | 305,172 |
| ERAF III Shift Property Tax | (342,961) | (342,960) | - | - | - | - | - | - |
| Sales Tax | 5,196,224 | 6,183,959 | 6,530,000 | 6,620,000 | 6,818,600 | 7,023,157 | 7,233,852 | 7,450,868 |
| DiNapoli Sales Tax (9) | - | - | - | 170,000 | 480,000 | 672,000 | 964,000 | 1,146,970 |
| Transient Occupancy Tax | 956,327 | 1,029,837 | 1,102,100 | 1,135,163 | 1,169,218 | 1,204,294 | 1,240,423 | 1,277,636 |
| Franchise Fees | 995,298 | 1,025,412 | 1,090,501 | 1,120,753 | 1,154,376 | 1,189,007 | 1,224,677 | 1,261,417 |
| Public Safety Sales Tax | 241,635 | 250,426 | 260,443 | 268,256 | 276,304 | 284,593 | 293,131 | 301,924 |
| Property Transfer Tax | 469,761 | 496,474 | 511,367 | 526,708 | 542,509 | 558,785 | 575,548 | 592,814 |
| Total Taxes | 12,246,298 | 14,220,698 | 15,314,195 | 16,632,059 | 17,556,234 | 18,386,600 | 19,342,161 | 20,214,931 |
| Business License | 156,710 | 162,022 | 166,883 | 173,040 | 178,231 | 183,578 | 189,085 | 194,758 |
| Other Permits | 42,812 | 3,092 | 2,905 | 4,550 | 4,687 | 4,828 | 4,972 | 5,121 |
| Total Licenses/Permits | 199,522 | 165,114 | 169,788 | 177,590 | 182,918 | 188,406 | 194,057 | 199,879 |
| Parking Enforcement | 13,360 | 20,354 | 7,000 | 7,000 | 7,210 | 7,426 | 7,649 | 7,879 |
| City Code Enforcement | 70,166 | 123,771 | 95,000 | 132,000 | 135,960 | 140,039 | 144,239 | 148,567 |
| Total Fines/Penalties | 83,526 | 144,125 | 102,000 | 139,000 | 143,170 | 147,465 | 151,889 | 156,445 |
| Motor Vehicle Fee (6) | 812,983 | 251,669 | 215,000 | 225,000 | 236,250 | 248,063 | 260,466 | 273,489 |
| Other | 245,250 | 459,628 | 250,306 | 269,928 | 269,000 | 214,000 | 220,420 | 227,032 |
| Total Other Agencies | 1,058,233 | 711,297 | 465,306 | 494,928 | 505,250 | 462,063 | 480,885 | 500,521 |
| City Recreation Programs | 5,899 | 10,923 | 70,908 | 78,783 | 81,147 | 83,581 | 86,089 | 88,672 |
| CCC Classes & Programs | 319,376 | 313,825 | 141,513 | 5,560 | 5,727 | 5,899 | 6,076 | 6,258 |
| Aquatics Center | 1,020,690 | 1,005,986 | 924,061 | 1,017,000 | 1,047,511 | 1,078,936 | 1,111,305 | 1,144,644 |
| Centennial Rec. Center (5) | - | - | 1,281,936 | 2,289,191 | 2,453,378 | 2,529,290 | 2,607,710 | 2,688,738 |
| Outdoor Sports Center(10) | - | - | - | 32,850 | 42,314 | 46,440 | 49,528 | 53,737 |
| Gen Admin Overhd | 1,793,851 | 1,791,377 | 1,897,936 | 1,987,792 | 2,047,426 | 2,108,849 | 2,172,114 | 2,237,277 |
| Fire Fees | 34,774 | 181,041 | 203,000 | 216,000 | 222,480 | 229,154 | 236,029 | 243,110 |
| Other Charges | 264,842 | 276,735 | 253,801 | 322,992 | 332,682 | 342,662 | 352,942 | 363,530 |
| Total Current Services | 3,439,432 | 3,579,886 | 4,773,155 | 5,950,168 | 6,232,664 | 6,424,811 | 6,621,793 | 6,825,966 |
| Interest Earnings | 331,944 | 371,620 | 500,000 | 502,425 | 532,500 | 560,000 | 572,500 | 577,500 |
| CCC/Gavilan Rent | 396,658 | 418,900 | 466,949 | 471,200 | 485,337 | 499,897 | 514,894 | 530,340 |
| Other Rentals (7) | 126,450 | 145,198 | 172,979 | 158,066 | 159,806 | 159,950 | 82,599 | 5,252 |
| Miscellaneous | 64,560 | 140,313 | 57,976 | 22,213 | 22,880 | 23,566 | 24,272 | 25,000 |
| Total Other Revenue | 919,612 | 1,076,031 | 1,197,904 | 1,153,904 | 1,200,522 | 1,243,412 | 1,194,265 | 1,138,093 |
| Transfer From Park Maint | 125,000 | 125,000 | 125,000 | 276,655 | 277,000 | 277,000 | 277,000 | 277,000 |
| Transfer From Sewer/Water | 40,000 | 61,200 | 63,036 | 64,927 | 66,875 | 68,881 | 70,948 | 73,076 |
| Transfer From Public Safety | 175,000 | 198,262 | 175,000 | 175,000 | 122,000 | 100,000 | 100,000 | 100,000 |
| Transfer From RDA | - | - | - | 291,347 | 300,087 | 309,090 | - | - |
| Transfer Fr Rec Ctrs. St-up | - | 72,713 | 188,900 | 50,000 | - | - | - | - |
| Transfer From Other Funds | 52,119 | 57,570 | 5,150 | 63,659 | 65,569 | 67,536 | 69,562 | 71,649 |
| Total Transfers In | 392,119 | 514,745 | 557,086 | 921,588 | 831,531 | 822,507 | 517,509 | 521,725 |
| TOTAL REVENUES | 18,338,742 | 20,411,896 | 22,579,434 | 25,469,237 | 26,652,289 | 27,675,263 | 28,502,560 | 29,557,560 |

CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CAPITAL BUDGET

5/8/2007

| EXPENDITURES (4): | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| City Council | 259,546 | 248,094 | 282,823 | 304,689 | 315,670 | 327,164 | 339,207 | 351,832 |
| City Clerk | 349,774 | 326,738 | 368,740 | 333,334 | 424,565 | 382,583 | 461,082 | 412,318 |
| City Attorney | 1,061,611 | 785,267 | 601,502 | 577,191 | 595,768 | 615,029 | 635,006 | 655,735 |
| City Manager | 382,190 | 508,149 | 385,118 | 499,918 | 516,510 | 533,759 | 551,701 | 570,374 |
| Recreation | 361,732 | 311,517 | 503,835 | 759,473 | 786,500 | 813,662 | 841,996 | 871,571 |
| Community & Cultural Cente | 1,036,466 | 1,155,011 | 1,076,055 | 810,570 | 839,667 | 867,364 | 896,144 | 926,063 |
| Aquatics Center | 1,426,151 | 1,356,989 | 1,374,537 | 1,366,126 | 1,411,814 | 1,456,593 | 1,502,957 | 1,550,980 |
| Centennial Rec Center (5) | - | 72,713 | 1,655,125 | 2,377,307 | 2,453,378 | 2,529,290 | 2,607,710 | 2,688,737 |
| Outdoor Sports Center(10) | - | - | - | 67,693 | 90,858 | 94,681 | 98,422 | 102,087 |
| Human Resources | 488,770 | 466,130 | 487,833 | 535,625 | 554,024 | 572,440 | 591,588 | 611,508 |
| Finance | 895,496 | 942,628 | 984,948 | 1,076,139 | 1,118,767 | 1,158,228 | 1,199,464 | 1,242,585 |
| Police | 7,852,701 | 8,581,142 | 9,400,508 | 10,305,001 | 10,678,678 | 11,178,041 | 11,252,222 | 11,646,992 |
| Police Debt Serv (2) | 57,299 | 196,094 | 301,989 | 212,323 | 103,969 | 203,810 | 203,568 | 203,569 |
| Fire (8) | 4,194,484 | 4,361,361 | 4,554,405 | 4,868,611 | 5,204,697 | 5,569,026 | 5,958,858 | 6,375,977 |
| Cable TV | 43,503 | 31,445 | 37,767 | 28,674 | 29,569 | 30,494 | 31,452 | 32,442 |
| Park Maintenance | 685,847 | 651,996 | 728,950 | 742,935 | 767,915 | 793,914 | 820,988 | 849,201 |
| Total Department Exp | 19,095,569 | 19,995,273 | 22,744,135 | 24,865,609 | 25,892,348 | 27,126,079 | 27,992,363 | 29,091,970 |

Transfers Out:

| | | | | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| General Plan Update | 9,000 | 10,000 | 17,258 | 22,386 | 10,000 | 10,000 | 10,000 | 10,000 |
| Information Services | 49,025 | - | - | - | - | - | - | - |
| Street Operations | - | - | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Impact Fee Funds | | | | 72,000 | 180,000 | 272,000 | 464,000 | 546,970 |
| Recreation Ctrs Start-up(11) | 100,000 | 100,000 | 100,000 | 50,000 | 50,000 | - | - | - |
| Other | 28,976 | - | 7,000 | - | - | - | - | - |
| Total Transfers Out | 187,000 | 110,000 | 224,258 | 244,386 | 340,000 | 382,000 | 574,000 | 656,970 |

Salary Savings

| | | | | | | |
|----------------|---|-----------|-----------|-----------|-----------|-----------|
| Salary Savings | - | (212,000) | (218,000) | (225,000) | (232,000) | (239,000) |
|----------------|---|-----------|-----------|-----------|-----------|-----------|

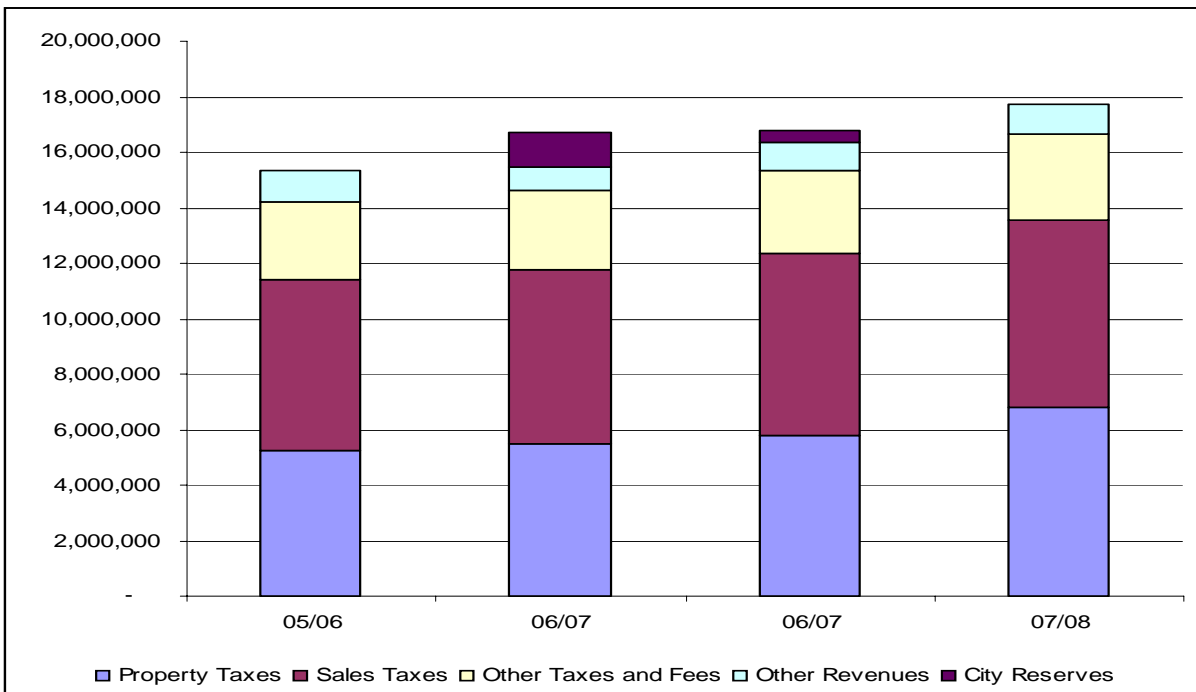
| | | | | | | | | |
|--------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| TOTAL EXPENDITURES | 19,282,569 | 20,105,273 | 22,968,393 | 24,897,995 | 26,014,348 | 27,283,079 | 28,334,363 | 29,509,940 |
|--------------------|------------|------------|------------|------------|------------|------------|------------|------------|

- (1) Property tax revenues for 2007/08 through 20010/11 are higher because Redevelopment Agency boundaries shrunk with RDA extension.
- (2) Police facility debt service reflects the portion to be paid by the General Fund.
- (3) Beginning in 2004/05, the General Fund target reserve has been established as 25% of estimated revenues, excluding transfers in.
- (4) Expenditures for years through 2006/07 include amounts expended for prior year carry-over encumbrances and rebudgeted projects.
- (5) Centennial Recreation Center activities are assumed to break even as of 3rd fiscal year beginning 7/1/08.
- (6) A one-time 2003/04 loss in Motor Vehicle In-Lieu Fees, amounting to \$592,115 shifted to the State, was repaid to the City in 2004/05.
- (7) Other Rentals income assumes that Morgan Hill Unified School District continues to lease space from the City through December 2010.
- (8) Projected Fire expenditures assume that costs annually increase by 7% per year for the period 10/1/08 through 6/30/12.
- (9) Projected net sales taxes for the proposed DiNapoli center near Cochrane road and Highway 100 were calculated as follows:

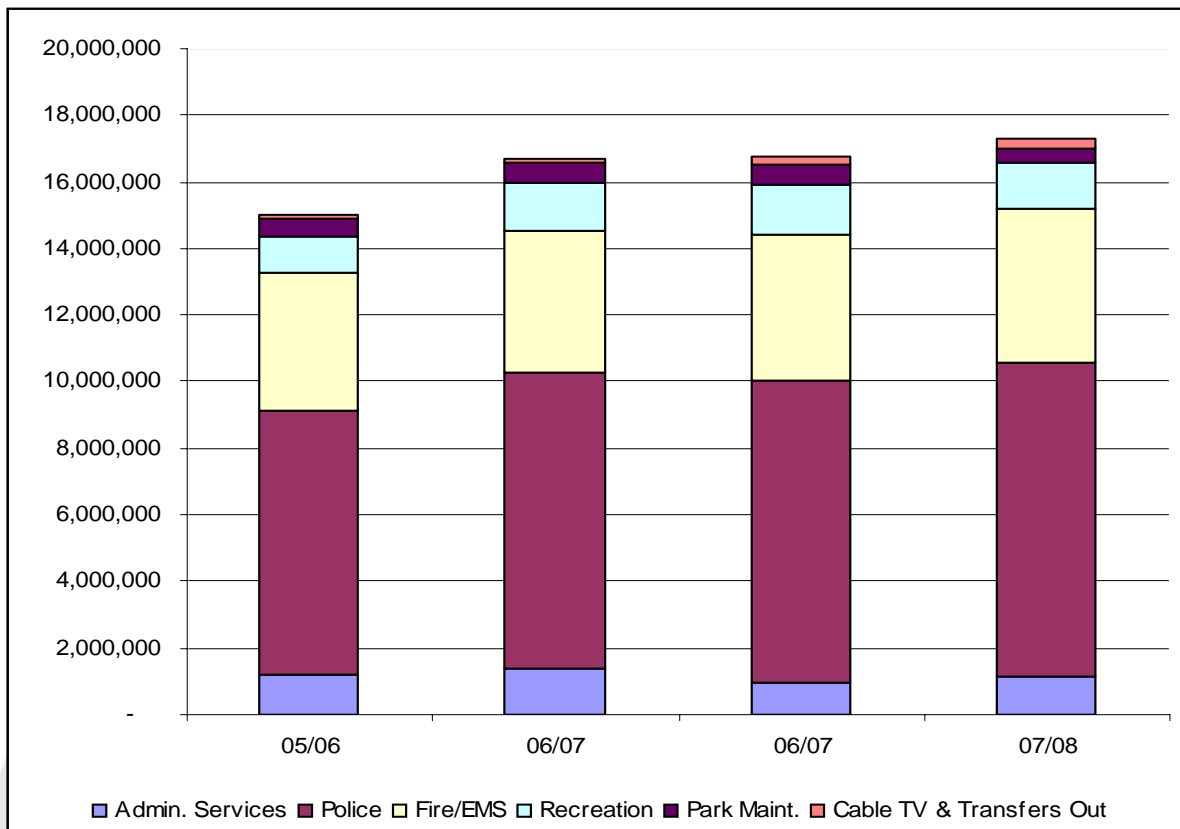
| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|--|----------|-----------|-----------|-----------|-----------|
| Total net local sales tax generated | 170,000 | 480,000 | 672,000 | 964,000 | 1,146,970 |
| Less: allocations to capital project funds | (72,000) | (180,000) | (272,000) | (464,000) | (546,970) |
| Net sales tax revenue available | 98,000 | 300,000 | 400,000 | 500,000 | 600,000 |

- (11) \$200,000 of transfers out to Rec. Centers Start-up Fund for start-up connected with Phase 2 of Outdoor Sports Center Master Plan.

General Fund Discretionary Resources

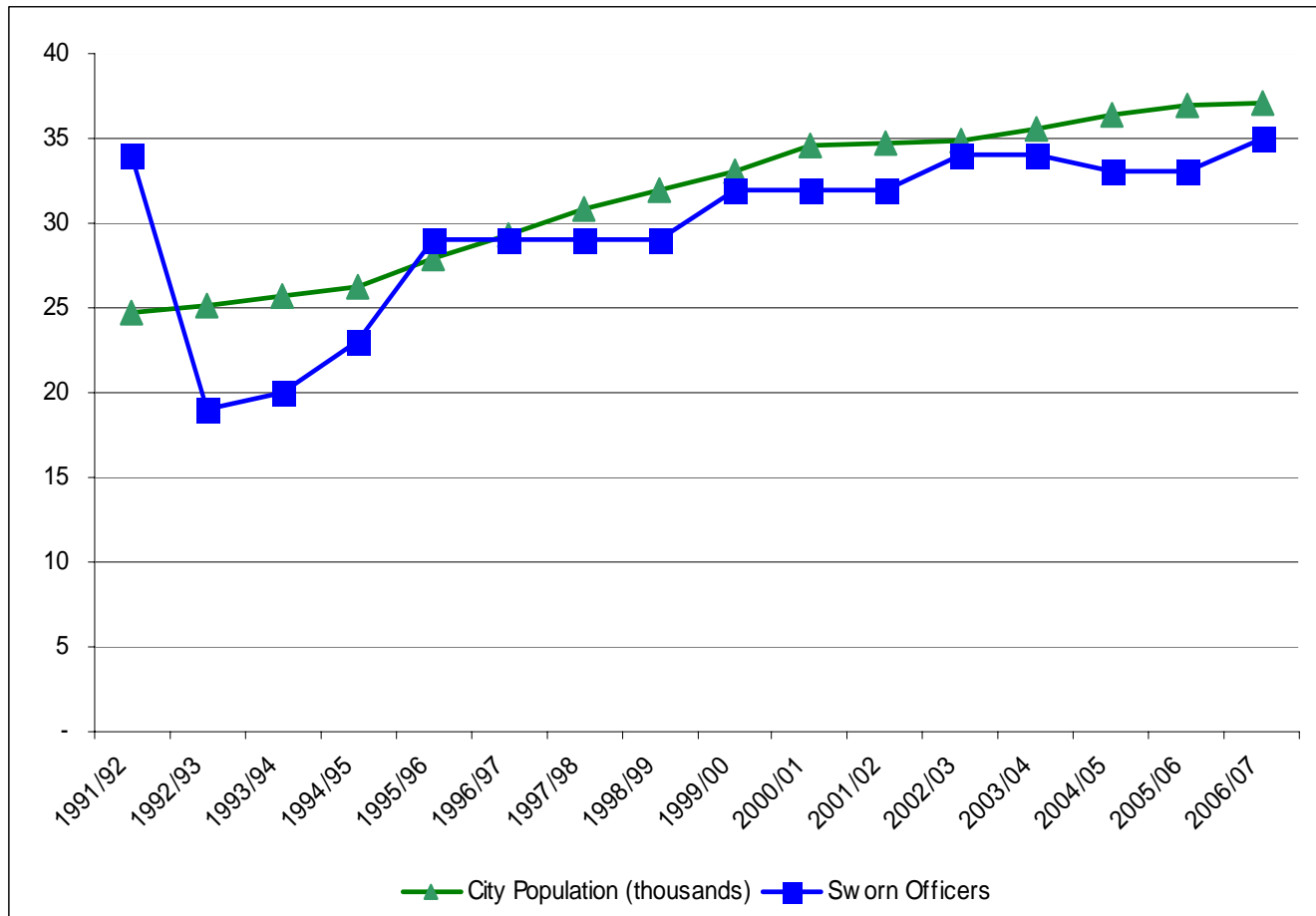


Use of GF Discretionary Resources



Police Staffing History

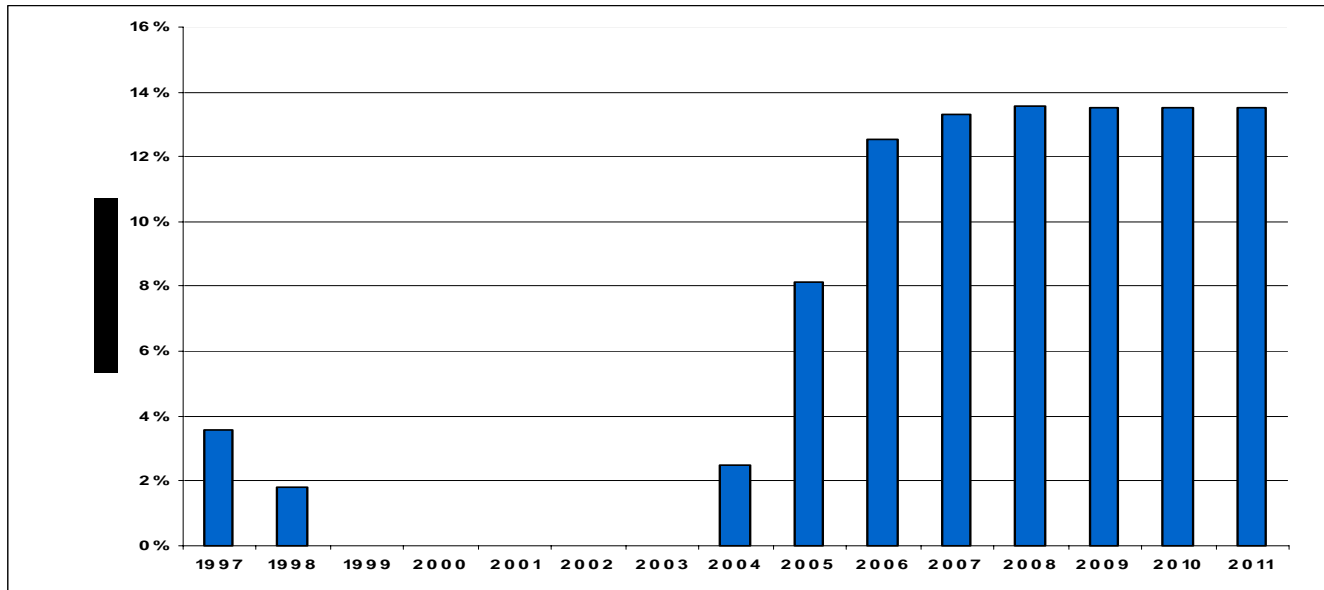
Sworn officers per thousand population



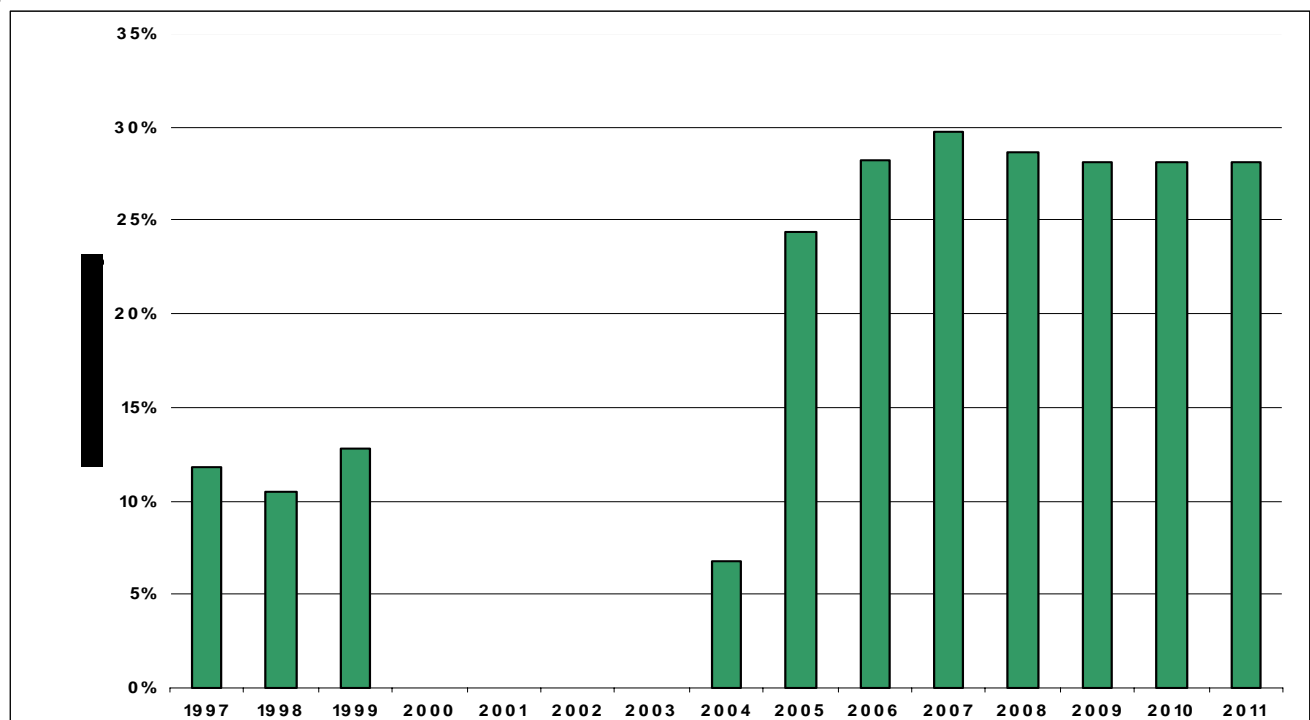
Public Employees Retirement System (PERS) Costs

The following charts present the rate charged to the City of Morgan Hill for CalPERS retirement benefits of City employees. The first chart is for general government employees. The second chart is for public safety employees, primarily police officers.

General Government Employees



Public Safety Employees



CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET

This special analysis section is the city's initial attempt to quantify its current contributions to this global problem and establish a baseline from which the City can measure improvements in future years. The following chart depicts the monthly energy consumed by the entire range of City government operations – including utilities, buildings, and street lights – during the 2006 calendar year

The graph displays the monthly variation in electricity and natural gas usage per person in the UK. Electricity consumption (red line) shows a significant peak in August at approximately 35 kWh/capita and a low in February at about 12 kWh/capita. Natural gas consumption (blue line) peaks in March at approximately 0.71 Therms/capita and is lowest in February at about 0.15 Therms/capita. The average electricity consumption is around 24 kWh/capita, and the average natural gas consumption is around 0.38 Therms/capita.

| Month | Electricity (kWh/capita) | Natural Gas (Therms/capita) |
|-----------|--------------------------|-----------------------------|
| January | 16.5 | 0.45 |
| February | 12.0 | 0.15 |
| March | 22.5 | 0.71 |
| April | 11.0 | 0.13 |
| May | 21.5 | 0.38 |
| June | 31.5 | 0.38 |
| July | 34.5 | 0.22 |
| August | 35.0 | 0.30 |
| September | 28.5 | 0.31 |
| October | 30.5 | 0.34 |
| November | 22.5 | 0.48 |
| December | 21.0 | 0.68 |

The City's 2006 Carbon Footprint (continued)

Carbon Calculator

Using the protocol established by Sustainable Silicon Valley, the City's energy consumption can be converted into Carbon Dioxide (CO₂) emission using the following factors.

| | |
|-------------|---|
| Electricity | 0.57 lbs. of CO ₂ per KWH of electricity |
| Natural Gas | 11.64 lbs. CO ₂ per therm |
| Gasoline | 19.43 lbs. per gallon |
| Diesel | 21.05 lbs. per gallon |

The following table describes the "Carbon Footprint" of the entire City government operations in calendar year 2006.

| Annual CO ₂ Footprint | Value | Units | CO ₂ lbs. | CO ₂ lbs./Capita |
|----------------------------------|------------|---------|----------------------|-----------------------------|
| Electricity | 10,583,835 | kWH | 6,032,786 | 162.6 |
| Natural Gas | 164,817 | Therms | 1,918,470 | 51.7 |
| Gasoline | 52,566 | Gallons | 1,021,357 | 27.5 |
| Diesel | 335 | Gallons | 7,052 | 0.2 |
| Total | | | 8,979,665 | 242.0 |

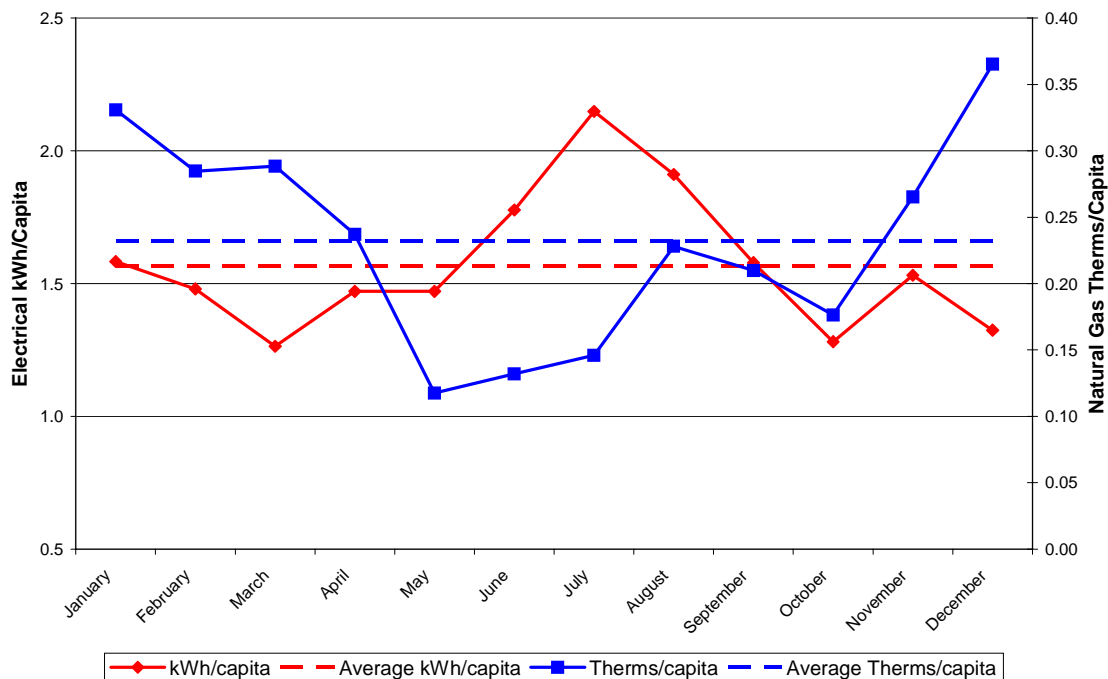
Since the vast majority of the electricity consumed by the City operations is associated with the delivery of potable water to local customers, the City has installed more efficient equipment for water pumping and encourages customers to conserve. Nonetheless, meeting demand for water is a primary services that the City provides and the energy required to do so will likely dominate the City's energy consumption profile indefinitely.

There are greater opportunities for reducing the City's energy consumption, however, at the City's various buildings and recreation centers. With this in mind, the consumption for these buildings is described individually in order to create an opportunity for real and measurable change to be recorded and presented to the residents and businesses of Morgan Hill.

CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET

Aquatic Center Energy Usage – 2006

Aquatics Center Energy Use Per Capita

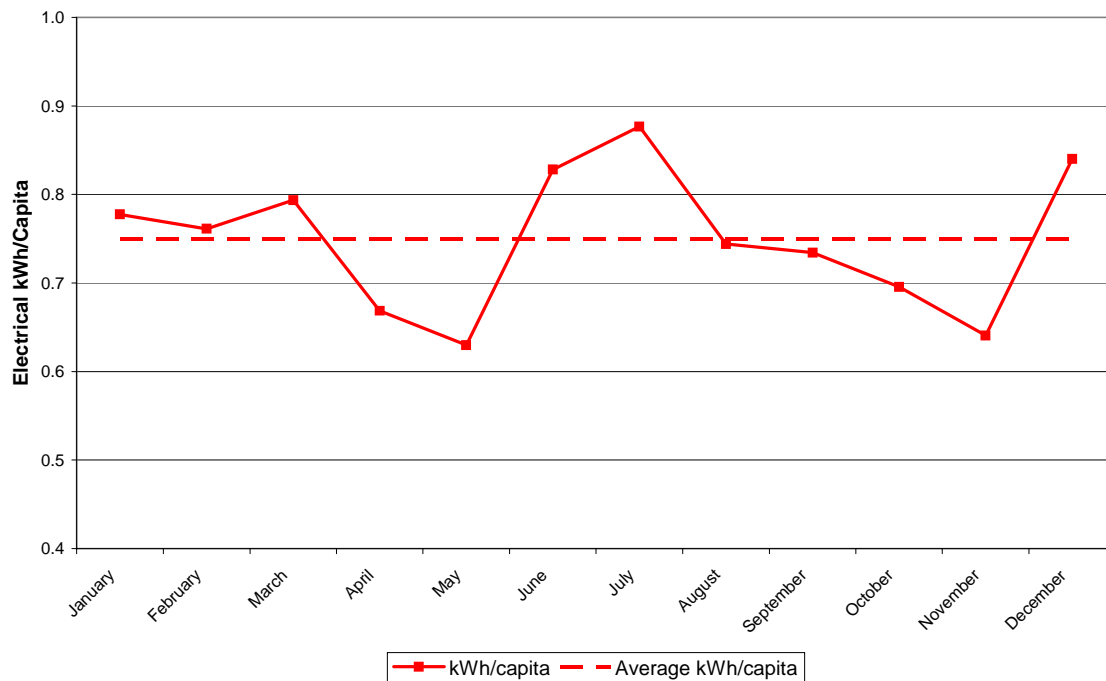


| Annual CO ₂ Footprint | Value | Units | CO ₂ lbs. | CO ₂ lbs./Capita |
|----------------------------------|---------|--------|----------------------|-----------------------------|
| Electricity | 698,080 | kWH | 397,906 | 11 |
| Natural Gas | 103,159 | Therms | 1,200,771 | 32 |
| Total | | | 1,598,677 | 43 |

CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET •

City Hall Energy Use – 2006

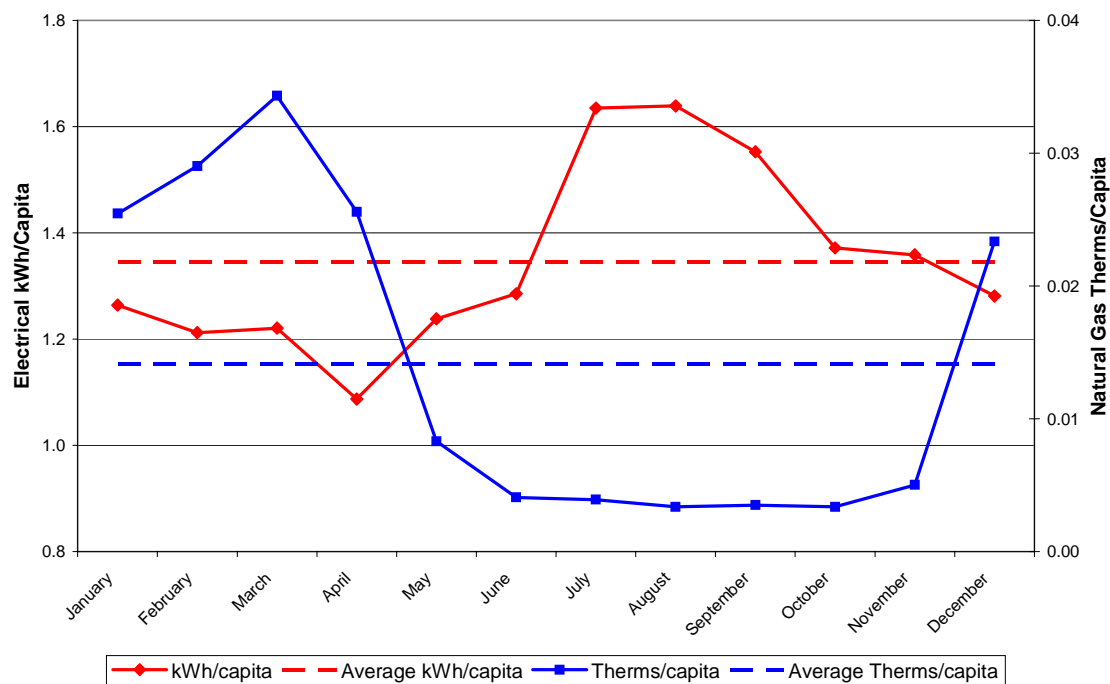
City Hall Energy Use Per Capita



| Annual CO ₂ Footprint | Value | Units | CO ₂ lbs. | CO ₂ lbs./Capita |
|----------------------------------|---------|--------|----------------------|-----------------------------|
| Electricity | 698,080 | kWH | 397,906 | 11 |
| Natural Gas | 103,159 | Therms | 1,200,771 | 32 |
| Total | | | 1,598,677 | 43 |

CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET • CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET •

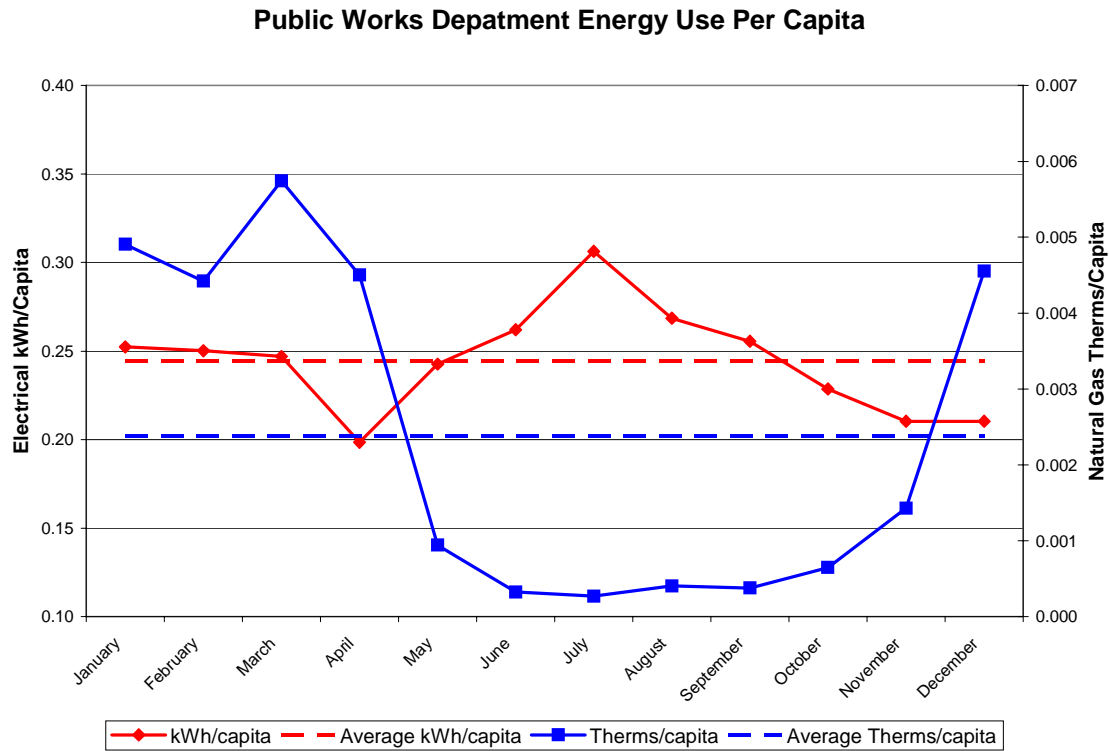
Police Department Energy Use Per Capita



| Annual CO ₂ Footprint | Value | Units | CO ₂ lbs. | CO ₂ lbs./Capita |
|----------------------------------|---------|--------|----------------------|-----------------------------|
| Electricity | 565,920 | kWH | 322,574 | 9 |
| Natural Gas | 17,812 | Therms | 207,332 | 6 |
| Total | | | 529,906 | 15 |

The City's 2006 Carbon Footprint (continued)

Public Works Energy Use – 2006



| Annual CO ₂ Footprint | Value | Units | CO ₂ lbs. | CO ₂ lbs./Capita |
|----------------------------------|---------|---------|----------------------|-----------------------------|
| Electricity | 108,760 | kWH | 61,993 | 1.7 |
| Natural Gas | 1,058 | Therms | 12,315 | 0.3 |
| Gasoline | 23,965 | Gallons | 465,640 | 12.6 |
| Diesel | 335 | Gallons | 7,052 | 0.2 |
| Total | | | 547,000 | 14.8 |

Relationship With Other Agencies

The City of Morgan Hill and the Redevelopment Agency of the City of Morgan Hill partner with other agencies/entities in order to provide, facilitate or otherwise further public purposes. Those agencies that are a component unit of the City are reported in the City's annual financial statements. Others do not meet the criteria for reporting as established by Generally Accepted Accounting Principles. However, the City believes the following list, and definition of terms, may be helpful to the readers of the budget document in understanding the various relationships in which the City and Agency engage.

Joint Powers Authority

Morgan Hill Corporation Yard Commission: A joint powers authority between the Morgan Hill School District and the City to facilitate the sharing and maintenance of public facilities.

South County Regional Wastewater Authority: A joint powers authority between the City of Gilroy and the City of Morgan Hill for the sharing of wastewater transport and treatment.

Association of Bay Area Governments: A joint powers authority of multiple bay area cities to provide efficient and effective liability insurance pools.

Local Agency's Worker's Compensation Excess Liability: A joint powers authority of multiple bay area cities and districts to obtain cost effective excess worker's compensation insurance.

California Disaster and Civil Defense Mutual Aid: Disaster assistance.

Employee Relations Service: Sharing of information and studies regarding recruitment, wages and benefits.

Associated Non-Profit Groups

The following non-profit groups provide business and community services within the City of Morgan Hill. The City and Agency provide financial support (contributory agreements) to these groups to assist with community needs.

Catholic Charities
Community Solutions
Emergency Housing Consortium
First Community Housing
Independence Day, Inc
Joint Venture Silicon Valley
Housing Trust of Santa Clara County
Live Oak Adult Day Services
Morgan Hill Chamber of Commerce
Morgan Hill Downtown Association
Project Sentinel
Santa Clara Association of Cities
South County Housing Corp
Second Harvest Food Bank
South Valley Day Worker Center

Redevelopment and Housing Authorities

Redevelopment Agency of the City of Morgan Hill: Provides community improvements, services to businesses, economic development and low income housing and housing rehabilitation.

Relationship With Other Agencies (continued)

Special Districts

Santa Clara County Central Fire District: Provides fire service and emergency response to a defined geographical area which includes the City of Morgan Hill.

Morgan Hill Wastewater Financing Authority: To facilitate the issuance of debt for improvements to wastewater system.

Morgan Hill Financing Authority: To facilitate the issuance of bonds for reassessment of the Morgan Hill Ranch Assessment District 1994-I and Madrone Business Park Assessment District.

Lease Agreements with Zero or Nominal Lease Payments

Go Kids: \$1.00 per year lease for a portion of Galvan Park to operate a day care facility for the benefit of low and moderate income households.

Morgan Hill Post No. 444 American Legion: Free and exclusive use of one community meeting room at 17666 Crest Avenue.

Santa Clara County: \$1.00 per year lease for 6 acres for construction of a court house and adjoining office facilities.

South County Housing: Three \$1.00 per year leases for property providing single and multi-family residences, commercial space and day care facilities.

Woodland Estates: \$1.00 per year lease payment for open space near Llagas Creek in the Woodland Estates neighborhood. City provides maintenance and upkeep of property.

YMCA of Santa Clara County: \$1.00 per year lease payment for facilities to operate youth and senior centers.

Contractual Arrangements

YMCA of Santa Clara County: The City and the YMCA have a contractual arrangement for the joint operation of the Centennial Recreation Center located in Morgan Hill.

Definition of Terms

Joint Powers Authority: Agency established by government entities to combine the authority of individual entities to meet a common objective or provide a common service

Contributory Agreement: Agreement between a government and a private organization, usually a *non-profit* group, where the government agrees to financially contribute money or facilities to satisfy the needs of the community.

Special Districts: Single purpose districts that are not tied to a city boundary, but to an area served. They have taxing authority for specific purposes within the geographical boundaries. The Board of Directors is elected by the public.

CITY OF MORGAN HILL • FY 2007/08 • OPERATING AND CIP BUDGET

1. Critical services should be maintained to the greatest extent possible.
2. Resources should be allocated to the highest priority services.
3. No city services or functions should be exempt from evaluation.
4. “Across the Board” approaches shall be avoided because they are not aligned with the Council’s and community’s priorities.
5. Reductions in service should position the City to take advantage of economic recovery.
6. Budget cuts should be ongoing and not simply “one time only.”
7. Council should commit to support employees during the transition, and assist those who may be adversely impacted.
8. Employees and their recognized bargaining units should be actively involved in developing options and implementing the transition.
9. The City should continue to invest in building organizational capacity by supporting training and employee development.
10. Community wide tax resources should be allocated first to support community wide services.
11. Special services designed for only a few should be paid for by user charges and fees.
12. Administrative and operational efficiencies should be maximized before pursuing new tax revenue.
13. Reserves and one time revenues should be used first to invest in capital outlay items that could reduce long range operating costs and, thereafter, fund transition expenses.
14. New services should not be added nor existing services expanded unless they are highly valued by the community and there is a willingness to pay for them.
15. There should be regular monitoring of financial performance and opportunities to make mid-course corrections as warranted.
16. City policies that may inhibit economic development, especially new retail development, should be reviewed regularly and modified.

